

Fenton Centre Property

Analysis of Data and Conclusions

Based on the preceding, the market value of the **leased fee interest** of subject **as is**, as of November 17, 2010, by Direct Capitalization, is as follows:

Estimated Market Value, Fee Simple Interest	\$41,785,000
Plus: Present Value of Above-Market Rent	+ 1,455,000
Estimated Market Value, Subject's Leased Fee Interest, As Is	\$43,240,000

As noted earlier, the liquidation value estimate is presented later in the report.

INCOME CAPITALIZATION APPROACH – FENTON CENTRE OFFICE BUILDINGS

The Income Capitalization Approach requires the appraiser to formulate a value estimate for the subject by converting projected net income into a single present value. This process is known as capitalization.

The approach to value requires four basic steps:

- 1. Estimate potential gross income for the subject space on a stabilized basis and also over the term of the holding period according to the anticipated timing of the leases.**
- 2. Using available market data, estimate a proper allowance for vacancy and credit loss forecast to occur during the projected period of ownership.**
- 3. Estimate and project anticipated fixed and variable operating expenses to be incurred. Also estimate anticipated leasing commissions and refurbishment costs, as well as a reasonable allowance for replacements which the owner of the subject should expect during ownership.**
- 4. Convert the resulting income stream into an estimate of value using a market-derived capitalization rate in the case of direct capitalization, and/or a discount rate in the discounted cash flow (DCF) analysis (yield capitalization).**

Potential Gross Income Estimate

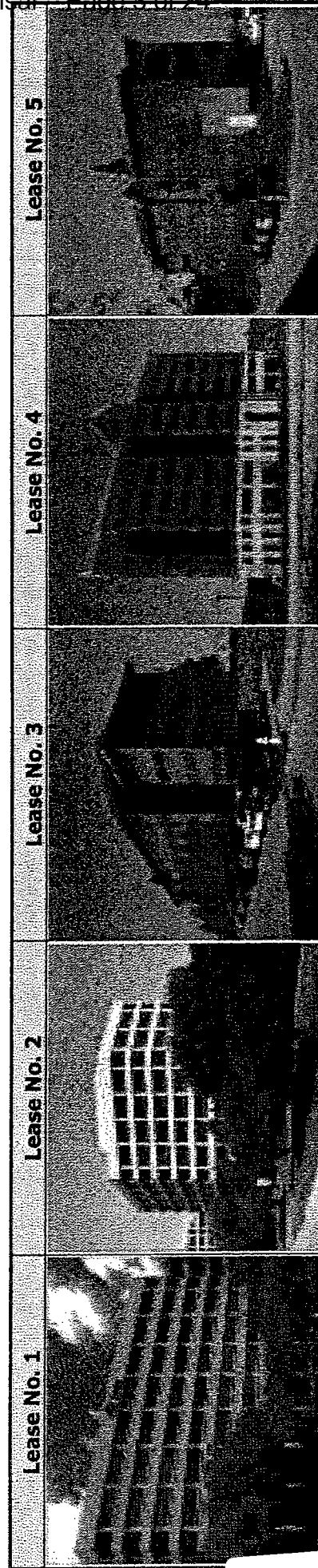
Given that the purpose of this appraisal assignment is estimation of the subject's leased fee interest, the subject's gross potential annual income must consider existing contract rent. We will estimate potential gross income first on a stabilized basis for use in direct capitalization. The potential gross income of the subject over the term of the holding period, according to the anticipated timing of the leases, will be discussed later as it relates to the DCF analysis.

Market Rent

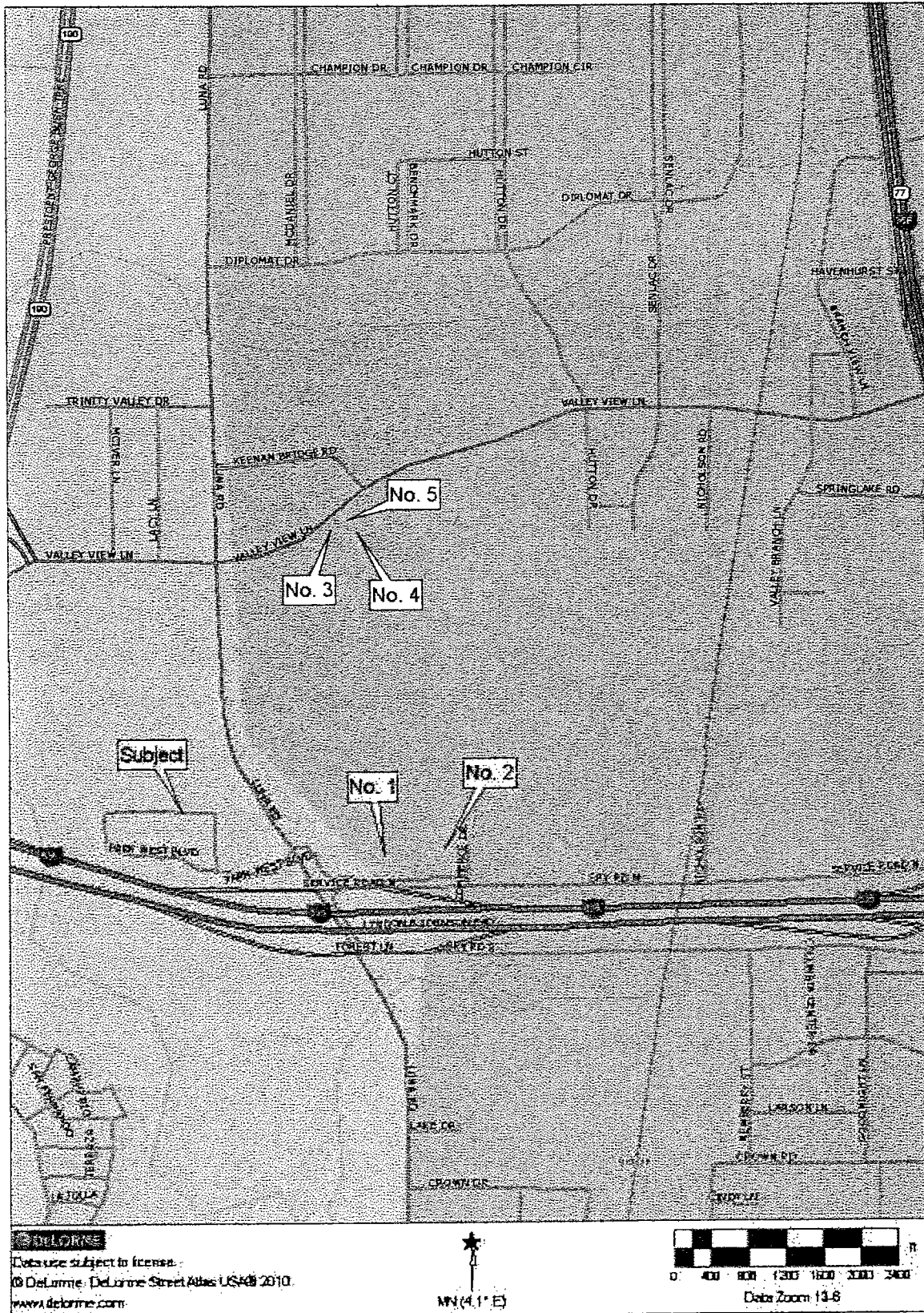
To estimate current market rent, we have surveyed several comparable properties and analyzed the subject's current contract rent. Those nearby properties considered in this comparative analysis are summarized on the following page; detailed descriptions are in the Addenda.

SUMMARY OF OFFICE LEASE COMPARABLES – FENTON CENTRE

Comp. Number	Building Name/Address	Year Built	No. Stories	RSF	Quoted Rental Rate/SF/Year	Owner Expenses	Current Occupancy	T.I. Refit Allowance/SF	Overall Comparability
1	Browning Place II/1603 LBJ Freeway	1985	8	201,405	\$17.00-19.00 +E	Base year minus E	74%	\$2.00-3.00/year	Similar
2	Browning Place III/1605 LBJ Freeway	1985	8	243,168	17.00-19.00 +E	Base year minus E	34%	2.00-3.00/year	Similar
3	Two Hickory Centre/1750 Valley View Lane	1999	4	97,117	17.00 +E	Base year minus E	76%	2.00-3.00/year	Similar
4	Four Hickory Centre/1755 Wittington Place	2002	9	226,911	18.50 – 20.00 +E	Base year minus E	77%	2.00-3.00/year	Similar
5	One Hickory Centre/1800 Valley View Lane	1999	4	102,615	17.50-19.50	Base year minus E	100%	2.00-3.00/year	Similar
Subject	Fenton Centre/1501-1507 LBJ Freeway	1985, 1988	7	696,458	18.00 +E	Base Year minus E	53% (a) 82% (p)	-	-
E = Tenant Electricity; (a) = actual; (p) = pro forma									



Office Lease Comparable Map



SALIENT FEATURES COMPARISON GRID						
Comp. No.	Rental Rate/Year	Location	Age/Condition	Quality/Design	Owner Expenses	Amenities
1	\$17.00-19.00 +E	Similar	Similar	Similar	Similar	Similar
2	17.00-19.00 +E	Similar	Similar	Similar	Similar	Similar
3	17.00 +E	Slt. Inferior	Superior	Similar	Similar	Slt. Inferior
4	18.50-20.00 +E	Slt. Inferior	Superior	Similar	Similar	Slt. Inferior
5	17.50-19.50 +E	Slt. Inferior	Superior	Similar	Similar	Slt. Inferior

All factors considered, comparable's rent/SF, in comparison to subject, should be . . .

HC 00129

Comparable Lease Analysis

The five comparable office lease properties are summarized on the preceding grid. Based on our qualitative analysis found on the following page, the subject's quoted rental rates should be similar to their quoted lease rate range of \$17.00-\$20.00/SF +E.

The subject's leasing agent is quoting a lease rate of \$18.00-\$20.00/SF +E. (According to CoStar, the subject's quoted lease rate range is \$17.00-\$20.00/SF +E). The higher end of the range is quoted for spaces higher in the building and primarily for leases with a higher negotiated tenant improvement allowance. The \$18.00/SF rate is for "as is" lease transactions; the \$20.00/SF lease rate represents a TI allowance of \$20-25/SF for a 5-year to 7-year lease term. Typically, one month of free rent per year of term is quoted.

The subject property has signed four leases (new and renewal) over the past 12 months totaling 10,889 square feet. These terms of these leases are summarized in the following chart.

SUMMARY OF LEASES SIGNED PAST 12 MONTHS					
Tenant Name	Begin Date	Size	Lease Rate/SF	Free Rent	Term (Mos.)
Just Energy Texas	Mar-10	3,894	\$19.50	5.0	65
Interactive TKO	Apr-10	2,714	\$23.00	0.0	19
Barlow, Garsek & Simon	Oct-10	1,469	\$9.80	0.0	12
Omnalink Corporation	Oct-10	2,812	\$9.00	2.5	63
Totals/Averages		10,889	\$16.35	2.4	46

As shown from the preceding chart, subject's two most recently signed leases had rates ranging from \$9.00/SF to \$9.80/SF. These rates are at least half of the other two recently signed leases which range from \$19.50/SF to \$23.00/SF and are not considered representative of the current marketplace. The high end of this range (\$23.00/SF) was an expansion lease for an existing tenant. Therefore, it is likely that a premium was paid.

Based upon the foregoing, a market rent of **\$18.00/SF +E** is considered reasonable given the large amount of vacant space not only in the subject property, but in the lease comparables as well. As is the case in any property the size and quality of subject, however, actual contract rent for any specific suite can – and most likely will – vary depending on multitude of factors, including (but certainly not limited to): actual finish-out allowance; credit worthiness of tenant; term; and the actual timing of the lease negotiations. On average, however, the above estimated market rental rate is suitable and supportable for appraisal purposes, when considered in the aggregate.

In the current marketplace, it is not typical for contract rent to increase during the lease term. Our selection of market rent does not include an annual escalator. A typical five-year term is used. Tenant finish-out is estimated to average \$25.00/SF on new leases; \$5.00/SF on renewals. It should be noted that the subject property has six vacant floors. As mentioned earlier, the appraisers were unable to inspect these spaces. It is believed that they are currently configured to be single-tenant floors. Therefore, if the floor were to be reconfigured to be a multi-tenant floor, a multi-tenant corridor would need to be installed.

Analysis of Contract Rents

Subject's rent roll is summarized on the following page.

SUBJECT RENT ROLL – FENTON CENTRE						
Tenant Name	Suite	Start Date	End Date	Size (SF)	Current Rent/SF	Rent/Year Total
Occupied Space:						
McGuyer Homebuilders	100100	05/00	09/13	6,322	\$21.00	\$132,762
Just Energy Texas L.P	100150	03/10	07/15	3,894	19.50	75,933
Red Hat	100200	03/07	01/13	6,653	19.00	126,407
Computer Task Group	100250	12/06	01/13	13,213	22.00	290,686
Boston Pizza Restaurants	100450	09/03	12/12	14,065	21.00	295,365
Lightfoot Guest Moore CPA	100500	02/02	04/13	3,543	20.50	72,632
Rossi Group, Ltd.	100510	12/08	02/11	1,250	22.00	27,500
Barlow, Garsek & Simon	100520	10/10	09/11	1,469	9.80	14,396
White Rock Commercial	100550	07/06	12/10	3,659	20.00	73,180
Omnilink Corporation	100595	09/10	11/15	2,812	9.00	25,308
Multiplan, Inc.	100650	11/97	12/10	6,439	22.00	141,658
Imagine Solutions	100790	11/99	02/17	11,770	20.20	237,754
CIMA Solutions Group	300110	05/08	02/12	4,141	22.00	91,102
Creative Cuisine	300150	09/04	08/14	7,978	3.00	23,934
IBM	300160	02/03	01/13	2,068	20.75	42,911
IBM	300300	02/03	01/13	75,433	20.75	1,565,235
Crawford & Company	300600	03/07	03/18	34,215	20.25	692,854
Safeway Insurance	500170	03/97	02/14	7,552	20.25	152,928
Ethicon	500175	01/09	02/13	2,050	21.00	43,050
Regis Property Management	500180	12/06	MTM	4,078	21.00	85,638
PracticeHwy.com	500200	06/08	05/15	3,405	18.25	62,141
Interactive TKO	500220	03/06	05/11	9,969	20.42	203,567
BCD Travel/World Travel	500325	02/01	07/11	10,591	18.50	195,934
Vollmer Public Relations	500340	01/01	12/10	6,410	18.00	115,380
Visto Corporation	500350	07/09	10/12	3,585	21.24	76,145
Oxea Corporation	500400	10/07	05/15	13,189	22.38	295,170
Kintetsu Global IT	500405	05/08	05/13	14,297	19.75	282,366
National Cable Communication	500555	04/00	03/11	17,615	20.75	365,511
BCD Travel/World Travel	500600	02/01	07/11	34,567	18.50	639,490
Heery Int'l Inc.	500700	10/08	10/15	16,807	21.90	368,073
Motorola	700700	12/07	05/13	24,595	21.50	528,793
Total Occupied Space			53%	367,634	\$19.98	\$7,343,803
Total Vacant Space			47%	328,824	18.00	5,918,832
Grand Total			100%	696,458	\$19.04	\$13,262,635

Subject's current contract rent level (\$19.98/SF) is 11% higher than our market rent selection of \$18.00/SF. Therefore, we will make an adjustment for above-market rents in order to derive subject's "as is" value.

Fenton Centre Property**Analysis of Data and Conclusions**

Subject's largest tenant (which has its name one of the building's exteriors) is IBM. IBM leases 77,501 square feet comprised of 2,068 square feet on the first floor and all of floors 3-5 of subject's 1503 LBJ building. According to CoStar, this entire space is available for sublease through January 31, 2013 (and January 31, 2015 for 26,573 square feet). It is considered unlikely that this entire space would be subleased given its large size, limited remaining term and varying expiration dates. Therefore, for purposes of this analysis, **we assume that IBM (which is currently occupying their space) does not renew its lease.**

Potential Gross Rental Income

Given the preceding, the subject's potential gross rental income, based on subject's **contract** rents, is as follows:

SF	Rent/SF	Total Annual Contract Rent
696,458	\$19.04	\$13,262,635

Further, the subject's potential gross rental income, based on subject's **market** rents, is as follows:

SF	Rent/SF	Total Annual Market Rent
696,458	\$18.00	\$12,536,244

Thus, current contract rents, which include about 77,000 square feet leased to IBM at \$20.75/SF, are about 5% above our estimate of market rent.

Other Income

Other income sources for Fenton Centre include expense recoveries, parking income, backcharge utilities and miscellaneous income. Expense recoveries include those expenses above the tenant's base year expense stops. Historical and budgeted operating expense recoveries reported for the subject are shown in the following chart.

Year	Average Occupancy	Expense Recoveries	Parking Income	Backcharge Utilities	Misc. Income	Total Other Income
2007	74%	\$1,196,456	\$50,659	\$173,943	\$109,690	\$1,530,748
2008*	NAV	1,734,235	5,820	179,573	97,338	2,016,966
2009	48%	733,794	In Misc.	In Misc.	197,707	931,501
2010**	NAV	847,424	(750)	102,707	72,864	1,022,245
CDI Proforma	82%	1,023,669	10,000	100,000	100,000	1,233,669
DCF - Year 1	53%	872,159	10,000	100,000	100,000	1,082,159
DCF - Year 2	63%	950,097	10,300	103,000	103,000	1,166,397
DCF - Year 3	65%	929,161	10,609	106,090	106,090	1,151,950
DCF - Year 4	78%	1,101,632	10,921	109,273	109,273	1,331,099
DCF - Year 5	82%	1,204,127	11,255	112,551	112,551	1,440,484

*Annualized based on data through October 20th. **Actual data through October, budget for November/December.

Referring to the forthcoming DCF, we have estimated recoveries at **\$1,023,669** (Year 5 discounted to a present value).

Potential Gross Income Estimate

The resulting potential gross income for the subject is as follows:

	Contract Rent	Market Rent
Potential Gross Rental Income	\$13,262,635	\$12,536,244
Plus: Other Income	+ 1,233,669	+ 1,233,669
Potential Gross Income	\$14,496,304	\$13,769,913

As seen, we estimate potential gross income, using market rents, is about 5.2% above current "contract" income.

Rent Concessions

Rent concessions are currently prevalent in the submarket. All of the five lease comparables are offering one month of free rent for each year of term signed. For purposes of our analysis, we estimate six months of free rent for the subject property during the lease-up period only (Years 1-4).

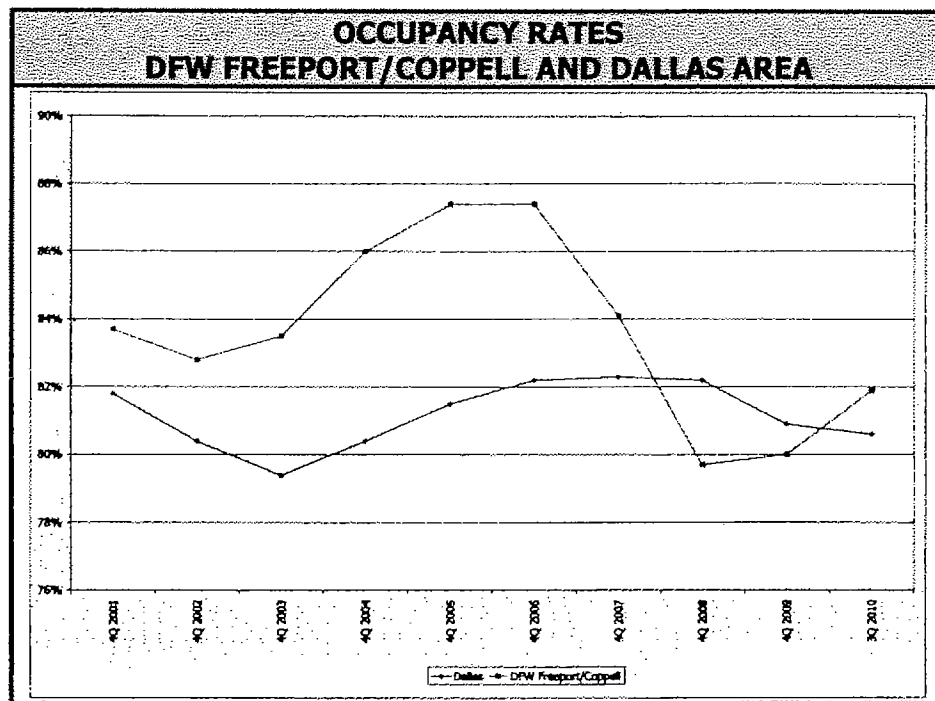
Vacancy and Credit Loss

Vacancy loss and loss due to lease defaults are typically expressed as a percentage of potential gross income and then converted into a dollar amount. In order to estimate anticipated vacancy and credit loss for the subject, relevant market data sources have been researched. The specific characteristics of the subject, including actual lease expiration dates, are taken into consideration regarding its competitive position in the marketplace.

Since an estimate of stabilized occupancy takes into account both time periods when supply exceeds demand and when demand meets or exceeds supply, the longer term must be considered. Such consideration eliminates distortions caused by temporary imbalances in supply and demand.

At the end of the third quarter 2010, the DFW Freeport/Coppell submarket occupancy was 81.9%, up 90 basis points in the last three months and 170 basis points year-over-year. Supply/demand imbalances, however, have caused submarket occupancy to fall 550 basis points since year-end 2006. According to Costar, there was almost 2.0 million square feet of vacant office space within the submarket at the end of the third quarter 2010. Submarket occupancy is currently 130 basis points greater than the overall Dallas area (80.6%).

The graph on the following page shows occupancy trends for the submarket and the Dallas area.



Average year-end occupancy rates over the past ten years for the DFW Freeport/Coppell submarket are listed in the following chart.

Period	DFW Freeport/Coppell Submarket	Dallas Area	Subject Property
4Q 2001	83.7%	81.8%	92.7%
4Q 2002	82.8%	80.4%	89.9%
4Q 2003	83.5%	79.4%	89.9%
4Q 2004	86.0%	80.4%	86.0%
4Q 2005	87.4%	81.5%	87.5%
4Q 2006	87.4%	82.2%	68.2%
4Q 2007	84.1%	82.3%	67.4%
4Q 2008	79.7%	82.2%	60.9%
4Q 2009	80.0%	80.9%	64.8%
4Q 2010 (e)	81.9%	80.6%	52.6%
Range	79.7% - 87.4%	79.4% - 82.3%	52.6% - 92.7%
Average	83.7%	81.2%	76.0%

Given the preceding and considering subject's historical and current occupancy rate, we forecast an average, stabilized occupancy for subject of 83%. Allowing a nominal 1.0% for credit loss, total vacancy and credit loss is stabilized at **18%**.

Effective Gross Income Analysis

The resulting effective gross income (EGI) for the subject is as follows:

	Contract Rent	Market Rent
Potential Gross Income	\$14,496,304	\$13,769,913
Less: Vacancy and Credit Loss (18%)	- 2,609,335	- 2,478,584
Effective Gross Income	\$11,886,969	\$11,291,329

Historical, proforma and projected EGI data are summarized below:

Year	EGI	% Occ.
2007	\$11,435,440	74%
2008*	9,252,194	NAV
2009	9,092,288	48%
2010**	8,181,245	NAV
CDI Proforma At Contract	11,886,969	82%
CDI Proforma at Market	11,291,329	82%
DCF – Year 1	8,017,894	53%
DCF – Year 2	8,986,043	63%
DCF – Year 3	8,961,437	65%
DCF – Year 4	10,575,357	78%
DCF – Year 5	11,570,440	82%
*Annualized based on data through October 20 th . **Actual data through October, budget for November/December.		

Our stabilized EGI estimate is considered reasonable given our stabilized occupancy rate of 82%. Our DCF estimate for Year 1 of \$8,017,894 is slightly lower than the estimated EGI for 2010 of \$8,181,245. This is primarily due to the 75,461 square feet of Year 1 lease expirations. It declines further with the projected loss of IBM; subject's largest tenant.

Expenses

Operating expenses are the annual expenses or annual cash outflows borne by the owner/investors of income-producing properties as the necessary cost of generating gross income. The expense figures used are typical of stabilized annual cash expenses to be paid by the owner of the property over the income projection period.

Comparable office properties in the subject market area are typically leased on a gross basis with the landlord responsible for all expenses. The tenant will generally pay increases over the base year amount.

As a means of determining fixed and variable expenses experienced by office properties in the subject's market area, we have obtained expense data on similar office buildings in the Dallas suburban area and referred to the *Experience Exchange Report*, an income and expense analysis published annually by the Building Owners and Managers Association (BOMA) International.

The following table illustrates expenses per square foot of rentable area for suburban office buildings in the Dallas suburban area for 2008. The data are for properties with more than 600,000 square feet, and are **not** adjusted for age. The data are presented on a **rentable area** basis and, thus, include expenses for common areas. The BOMA tabulation does not consider tenant alterations, reserves for replacement or leasing commissions (including marketing) as operating expenses.

TYPICAL EXPENSES – 2008 DALLAS AREA SUBURBAN OFFICE BUILDINGS (600,000+ SF)		
Category	Dollars/SF	
	Average	Median
Cleaning	\$0.84	\$0.78
Repair/Maintenance	1.26	1.21
Utilities	2.16	2.11
Roads/Grounds	0.10	0.13
Security	0.49	0.48
Administrative	0.93	1.01
Total Operating Expenses	5.05	4.91
Fixed Expense	3.79	3.82
Total Operating and Fixed	\$8.84	\$8.33

It should be noted that each BOMA individual category, including the totals category, stands by itself. A survey report may be returned to BOMA with information on cleaning and utilities only. These two items will be used to compute statistics in these two categories, but the report will be removed from the totals computation. **Thus, figures in the individual expense categories may not add up to the totals shown.**

Individual expense categories, on a SF/NRA basis, as utilized in the following pro forma operating statement and DCF analysis, are defined as follows¹:

Taxes are based on the estimated amount to be collected by the various taxing entities with jurisdiction over the subject. See Tax Analysis section for a complete discussion on taxes.

Insurance includes the cost of fire, theft, boiler explosion, rent fidelity bonds and extended coverage premiums, prorated on an annual basis. It generally includes all insurance payments other than those related to employee benefits.

Fenton Centre Property

Analysis of Data and Conclusions

Utilities include all utility expenses (electricity, gas, sewer, water and trash removal) to the owner prior to recapture from tenants.

Cleaning/Janitorial services cover the cost of employing contract labor and purchasing the supplies to clean the building.

Roads/Grounds/Security covers the cost of employing contract labor to perform landscaping and security duties.

Repairs/maintenance includes cost of painting; equipment maintenance and repair contracts; miscellaneous carpentry, plumbing, electrical work, carpentry, roofing, masonry and plastering; and all related contracting services not performed by normal building staff or included in other categories. In addition, this category includes an Association expense, most likely for subject's prorata share of common area upkeep. We were unable to receive a copy of the Agreement which explained in more detail what this expense was for and how it was calculated. We estimated this total expense primarily by subject's historical data.

General and Administrative costs include payroll, legal and auditing fees, engineering or architectural fees, office supplies and equipment, telephone use, and/or professional dues.

Management fee covers the administrative cost for off-premises management of the property. This expense is strictly a function of actual monies collected on a percentage basis. For pro forma purposes, a professional third party management fee of **2.0%** of effective gross income is used.

Subject's actual operating expenses for 2007-2010 and our proforma estimate of expenses for the subject are summarized in the following table.

FENTON CENTRE - EXPENSES/SF SUMMARY							
	2007	2008	2009	2010	CDI	CDI DCF	CDI DCF
Item	Actual	Actual*	Actual	Actual**	Proforma	Yr. 1	Yr. 5
Average Occupancy:	74%	NAV	48%	NAV	82%	53%	82%
Expenses:							
Administration	\$0.54	\$0.63	\$0.62	\$0.65	\$0.65	\$0.65	\$0.73
Management Fee	0.63	0.46	0.50	0.41	0.35	0.23	0.33
Janitorial/Cleaning	0.58	0.60	0.60	0.48	0.80	0.50	0.90
Roads/Grounds/Security	0.55	In R/M	In R/M	0.59	0.60	0.60	0.68
Repairs/Maintenance	1.30	1.77	1.68	1.04	1.75	1.75	1.97
Utilities	2.47	2.91	1.71	1.84	2.60	2.00	2.93
Real Estate Taxes	2.46	2.69	1.78	1.94	2.11	2.11	2.37
Insurance	0.26	0.27	0.26	0.26	0.27	0.27	0.30
Marketing	0.05	0.06	0.06	0.03	0.10	0.10	0.11
Total Expenses	\$8.84	\$9.39	\$7.01	\$7.24	\$9.23	\$8.21	\$10.32

*Annualized based on data through October 20th. **Actual data through October, budget for November/December.

Our stabilized estimate of expenses for subject is considered reasonable based on its historical expense levels, occupancies and current market data.

The preceding lease comparables quote the following expense stops, including electricity:

Comp No.	Expenses/SF
1	\$8.61
2	7.45
3	8.97*
4	8.42
5	9.86
*Electricity estimated at \$2.00/SF.	

It should be noted, however, that the expenses indicated previously do not include alterations expense, leasing commissions or reserves, which will be included in the DCF analysis to derive net cash flow before debt service. These are defined as follows:

Leasing Commissions are based on an average anticipated lease term for the typical space of five years; tenant turnover serves as a basis to estimate the leasing commission expenses. In the subject market, new leases made during the holding period are typically cashed-out at an average of 6.75% of total income over the primary and renewal lease term. Although this cost is not a line item expense, but rather a cost incurred based upon the timing of the leases, it must be recognized as an additional expense to the investor and will be considered in our DCF analysis.

Refurbishment (Alterations) is the expense to refurbish a lease space **either** when a tenant moves out **or** as typically required upon lease renewal. In order to attract a new tenant to existing lease space, management will typically remodel or refurbish the space to meet the requirements of the lessee. Also, to keep tenants from vacating when leases expire, some tenant improvements are typically necessary upon renewal. For purposes of our analysis we have utilized an average refurbishment expense of \$20.00 per square foot for a new lease; \$5.00/SF for a renewal.

The weighted average is therefore \$9.50/SF, based on the 70% renewal probability. This cost is not a line item expense, but rather a cost incurred based upon the timing of the leases, which must be recognized as an additional expense to the investor and will be considered in our DCF analysis.

Fenton Centre Property

Analysis of Data and Conclusions

Replacement Reserves are items that have a relatively long life, but would require replacement before the end of the term of ownership. They are treated as a deduction from effective gross income on an annual basis and put aside annually to replace items as they wear out. This is estimated to be **\$0.10/SF**. Support for our selection comes from the latest (third quarter 2010) Korpacz Real Estate Investor Survey, which, for the Dallas office market, indicates a range of \$0.15/SF to \$0.25/SF. Hence, our estimated amount is deemed reasonable given subject's relatively large size.

Net Operating Income

Utilizing the preceding, the pro forma stabilized net operating income statement for the subject below.

FENTON CENTRE STABILIZED PRO FORMA ANALYSIS AT CONTRACT RENTS (based on 696,458 RSF)			
	Total		Per SF
Income			
Potential Gross Income			
Rental Income	\$13,262,635		\$19.04
Other Income	+ 1,233,669		1.77
Potential Gross Annual Income	14,496,304		20.81
Less: Vacancy and Credit Loss (18%)	- 2,609,335		3.75
Effective Gross Income		\$11,886,969	\$17.07
Expenses			
Real Estate Taxes	\$1,466,329		\$2.11
Insurance	188,044		0.27
Utilities	1,810,791		2.60
Cleaning/Janitorial	557,166		0.80
Roads/Grounds/Security	417,875		0.60
Repairs/Maintenance	1,218,802		1.75
General and Administrative	452,698		0.65
Marketing	69,646		0.10
Management Fee (2% of EGI)	237,739		0.34
Total Expenses		- 6,419,090	\$ 9.22
STABILIZED NET OPERATING INCOME		\$5,467,879	\$7.85

Fenton Centre Property

Analysis of Data and Conclusions

FENTON CENTRE STABILIZED PRO FORMA ANALYSIS AT MARKET RENTS (based on 696,458 RSF)			
	Total		Per SF
Income			
Potential Gross Income			
Rental Income	\$12,536,244		\$18.00
Other Income	+ 1,233,669		1.77
Potential Gross Annual Income	13,769,913		19.77
Less: Vacancy and Credit Loss (18%)	- 2,478,584		3.56
Effective Gross Income		\$11,291,329	\$16.21
Expenses			
Real Estate Taxes	\$1,466,329		\$2.11
Insurance	188,044		0.27
Utilities	1,810,791		2.60
Cleaning/Janitorial	557,166		0.80
Roads/Grounds/Security	417,875		0.60
Repairs/Maintenance	1,218,802		1.75
General and Administrative	452,698		0.65
Marketing	69,646		0.10
Management Fee (2% of EGI)	225,827		0.32
Total Expenses		- 6,407,178	\$ 9.20
STABILIZED NET OPERATING INCOME		\$4,884,151	\$7.20

Historical, proforma and projected NOI data are summarized below:

Year	NOI	% Occ.
2007	\$5,263,793	74%
2008*	2,713,667	NAV
2009	4,213,420	48%
2010**	3,118,348	NAV
CDI Proforma at Contract	5,467,879	82%
CDI Proforma at Market	4,884,151	82%
DCF – Year 1	2,302,997	53%
DCF – Year 2	2,910,581	63%
DCF – Year 3	2,598,917	65%
DCF – Year 4	3,789,474	78%
DCF – Year 5	4,381,868	82%
*Annualized based on data through October 20 th . **Actual data through October, budget for November/December.		

Our stabilized proforma estimate is considered reasonable given our stabilized occupancy rate and subject's above-market rents. Our DCF – Year 1 estimate of NOI is lower than subject's 2010 data. This is due primarily to our higher estimated expense for repairs/maintenance and our slightly higher tax expense.

Capitalization

Capitalization is a process in which projected net income is converted into a single value estimate. This value is the amount that a typical, prudent purchaser or investor would be willing to pay, as of the date of the appraisal, for the right to receive all future net proceeds generated by the property. To derive this present value figure, the income stream must be discounted to the present at an appropriate rate.

There are alternative methods of converting future benefits into present value, including **direct capitalization**. This method involves dividing the net operating income (NOI) of a property by its selling price, resulting in an overall rate (OAR), also known as a capitalization rate. If the comparables from which the OARs are derived are truly similar to the subject, they will produce a narrow range from which an appropriate rate can be selected and applied to the subject's estimated NOI.

Although there are dissimilarities between the subject and available comparables, it is believed that the OARs shown subsequently offer a reliable basis for estimating an appropriate rate for the subject.

Fenton Centre Property

Analysis of Data and Conclusions

Comp. No.	Name	D.O.S.	Y.O.C.	% Occupied	Overall Rate (%)
1	Canal Centre	09/10	1983	11%	NAV
2	750 Canyon Drive	09/10	1998	83%	7.12%
3	Heritage Square	10/09	1978, 1980	70%	9.56%
4	Providence Towers	04/09	1986	88%	9.40%

p-pro forma; a-actual

The OARs indicated by the preceding comparables range from 7.12% to 9.56%. Because these OARs reflect adjustments for cash equivalency, the effect of financing has already been considered. All are mid- to high-rise suburban office buildings in the Dallas area.

Typically, the OAR is influenced by such factors as the improvement's age, condition, size, and location; the stability of its income stream; its occupancy at the time of sale; and the asset's appreciation potential. Where a comparable property is deemed to be superior in these aspects, the indicated OAR for the subject is higher than that of the comparable. Where the comparable is inferior, the subject's indicated OAR is lower.

The sales are presented and discussed in the Sales Comparison Approach. In addition to the comparable sales, we have also analyzed OAR trends reported in the Korpacz Report and the RERC Investor Survey.

The data are summarized below. All survey data are as of third quarter 2010.

Source	OAR Range	OAR Average
Comparable Sales	7.12-9.56%	8.69%
Korpacz – US Suburban	6.00-11.50%	8.40%
Korpacz – Dallas	7.00-11.50%	8.76%
RERC – US	NAV	8.10%
RERC – Dallas/Fort Worth	NAV	8.40%
RERC – South 2 nd Tier	7.00-11.00%	9.10%

Based upon the preceding, giving weight to subject's average location, tenancy, quality and condition, and considering that our proforma NOI is comprised of subject's market rents, an OAR of **9.00%** is selected as appropriate, on a **stabilized** operating basis.

Thus, our estimated market value of the fee simple interest in the subject, as of November 17, 2010, by Direct Comparison, **as if stabilized**, is as follows:

Net Operating Income	\$4,884,151
÷ OAR	9.00%
Indicated Stabilized Market Value (Rd)	\$54,270,000

Fenton Centre Property**Analysis of Data and Conclusions**

This value indication reflects a stabilized basis. That is, this value assumes subject is 82% leased as of this date. To estimate an "as is" value, adjustment is necessary for the lease-up costs associated with reaching stabilized occupancy (assumed to take 48 months). A typical investor would consider these costs as a deduction to the indicated value of the property, as stabilized.

The estimated leasing costs, including an estimated 10% entrepreneurial project, to achieve stabilization are estimated below.

FENTON CENTRE							
Market Rent:							\$18.00
No. of Periods in Year:							2
Reimbursement/SF:							\$0.00
TI Cost/SF:							\$20.00
Absorption Period (Periods):							8
Leasing Commissions:							6.75%
Average Lease Term:							5
Total Square Feet							696,458
Beginning Occupancy							53%
Stabilized Occupancy							83%
Square Feet to Lease							210,426
LEASE-UP COST ANALYSIS							
SF to Lease	Period	SF Leased	Income Loss	Reimbursement Loss	Leasing Commissions	Tenant Improvement Costs	Total Lease-up Cost
210,426	1	26,303	\$1,893,838	\$0	\$159,793	\$526,066	\$2,579,696
184,123	2	26,303	1,657,108	0	159,793	526,066	2,342,967
157,820	3	26,303	1,420,378	0	159,793	526,066	2,106,237
131,517	4	26,303	1,183,649	0	159,793	526,066	1,869,507
105,213	5	26,303	946,919	0	159,793	526,066	1,632,778
78,910	6	26,303	710,189	0	159,793	526,066	1,396,048
52,607	7	26,303	473,459	0	159,793	526,066	1,159,318
26,303	8	26,303	236,730	0	159,793	526,066	922,588
Lease Up Costs							\$14,009,139
Plus: 10% profit							\$1,400,914
Total Lease Up Cost							\$15,410,053
Rounded to:							\$15,410,000

Fenton Centre Property

Analysis of Data and Conclusions

Hence, the as is value of subject's fee simple interest by direct capitalization, as of November 17, 2010, is shown below:

"As Stabilized" Opinion of Market Value, Fee Simple Interest	\$54,270,000
- Lease-Up Costs	- 15,410,000
Fee Simple Market Value, As Is	\$38,860,000

As discussed earlier, subject's contract rent is above market. Thus, to determine subject's value "as is", we must add the present value of subject's above-market rent from our stabilized value estimate at market rents. Our calculation of subject's above-market rents is presented below.

	Year 1	Year 2	Year 3	Year 4
NOI at Contract Rents	\$2,302,997	\$2,910,581	\$2,598,917	\$3,789,474
NOI at Market Rents	1,657,902	2,319,627	2,260,202	3,584,705
Above-Market Rents	\$645,095	\$590,954	\$338,715	\$204,769
Present Value, at 10.5%	\$1,456,167			
Rounded,	\$1,455,000			

As shown, the indicated present value of subject's above-market rents is **\$1,455,000 (R)**.

Based on the preceding, the estimated as is market value of the leased fee interest of subject, as of November 17, 2010, by Direct Capitalization, is as follows:

Estimated Market Value, Fee Simple Interest	\$38,860,000
Plus: Present Value of Above-Market Rent	+ 1,455,000
Estimated Market Value, Subject's Leased Fee Interest	\$40,315,000

Discounted Cash Flow Analysis

The DCF analysis is utilized as an additional means of estimating the subject's market value by the Income Capitalization Approach. This technique, also known as yield capitalization, is a method used to convert future benefits to present value by discounting each future benefit at an appropriate yield rate. It is currently in wide use by most sophisticated investors and purchasers of income-producing properties.

Properly utilized, the DCF analysis should mirror the expectations and requirements of typical investors and purchasers of real estate at the time of the appraisal. The criteria used in this analysis are based on the best available data in the marketplace. Documentation and logic supporting the estimates of gross and net income have been previously discussed. Other important elements of the DCF analysis are described in the following discourse.

Our DCFA utilizes **ARGUS version 14.0**, a Windows-based software program which allows analysis and forecasting of cash flows from income-producing properties.

Since its introduction in the mid-1980's, ARGUS has become widely utilized throughout the real estate industry and is now recognized as the leading cashflow software, operated by many major institutions, REITS, brokers, appraisers and other real-estate related companies. Its ability to handle foreign currencies and both United Kingdom and other International market characteristics, means that it is also in widespread use amongst global corporations.

Required input entry includes factual information such as floor areas, details of contract leases and miscellaneous revenues, while market data includes assumptions as to variables such as rent, vacancy, lease terms, expenses and capital items. Detailed fields in respect of expense recoveries, rent escalations and percentage rentals make it well-suited to office and retail properties. Other market-supported assumptions include growth rate, discount rate, holding period and terminal capitalization rate.

ARGUS uses detailed monthly calculations and various iterations in the analysis of the resulting cashflows to arrive at a single value or a range of values. Further it can be programmed to produce various scenarios to include development and leveraged situations.

Following detailed user input of all revenue, expense and market data and the determination of an appropriate holding period, ARGUS calculates the period-by-period cashflow and resulting net present value of the investment using the selected discount rate(s) and terminal capitalization rate(s). As reliable results depend on the accuracy of the data input, and with much of this market-related, importance has been placed upon accurate interpretation of recent historical data and projection of likely future events.

Gross Potential Rental Income

As noted previously, the gross potential rental income in each year of the DCF analysis reflects the timing of the leases. At the time of lease expirations, it is estimated there is a 65% probability that the existing tenant will remain in subject space and renew its lease at a market rate, and there is a 35% probability that the existing tenant will vacate subject space and a new tenant(s) will have to be secured at the prevailing market rate. Prevailing market rates are estimated by changing the base year market rental rate as of the appraisal date by the forecast annual percentage rate of change; this annual change accounts for shifting market conditions. The timing of the lease is then projected throughout the remainder of the holding period. This rate of change is applicable only at the time of the lease expirations. The annual rate of change and its documentation will be discussed later.